

Message Text

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11
ACTION SS-25

INFO OCT-01 ISO-00 /026 W
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P 010646Z OCT 73
FM AM
MBASSY TEHRAN
TO SECSTATE WASHDC PRIORITY 4031

S E C R E T TEHRAN 6983

EXDIS

E.O. 11652: GDS
TAGS: ENRG, IR, ECON
SUBJECT: VIEWS OF SHAH ON OIL PRICES

REF: TEHRAN 6506

1. WHAT MAY WELL BE IRANIAN POSITION DURING OPEC-OIL COMPANIES NEGOTIATIONS BEGINNING OCTOBER 8 WAS FORESHADOWED IN AUDIENCE WITH SHAH OCTOBER 1 WHEN HE COMMENTED: QUOTE IT IS ONLY FAIR THAT WE SHOULD RECEIVE FOR OUR OIL WHAT THE VENEZUELANS, THE NIGERIANS AND THE INDONESIANS RECEIVE FOR THEIRS. OUR PRICE SHOULD BE THE SAME MINUS A SMALL AMOUNT FOR THE DIFFERENCE IN QUALITY OF OIL AND MINUS ANOTHER AMOUNT FOR DIFFERENCES IN TRANSPORTATION

COSTS UNQUOTE. IN EXPRESSING THIS VIEW, THE SHAH DID NOT SPECIFICALLY STATE THAT AYIS IS WHAT HIS REPRESENTATIVE WOULD GO FOR AT OPEC-OIL COMPANIES MEETING BUT THE INTIMATION WAS STRONG THAT THIS WAS WHAT HE FELT WAS A REASONABLE IRANIAN POSITION.

2. ASKED HOW HIGH HE THOUGHT OIL PRICES WOULD EVENTUALLY GO, THE SHAH SAID HE HAD READ IN A NE PAPER THAT AMBASSADOR AKINS WAS PREDICTING THAT CRUDE OIL WOULD GET UP TO \$10 A BARREL BY 1980. HE DID NOT PUSH THIS FIGURE, RATHER HE INDICATED THAT HE THOUGHT PRICES WOULD LEVEL OFF WHEN ALTERNATIVE SOURCES COULD BE COMPETITIVELY

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DEVELOPED. HE INDICATED THAT THE OIL PRODUCING COUNTRIES ARE ANXIOUS TO SEE THE RAPID DEVELOPMENT OF ALTERNATIVES EVEN THOUGH HE OPINED THAT OIL FROM HIS COUNTRY WOULD BE AVAILABLE FOR FROM 25 TO 30 YEARS.

3. WHILE TALING ABOUT WHAT HIGHER CRUDE OIL PRICES WOULD MEAN TO THE AMERICAN CONSUMER, THE SHAH GRANTED THAT IT WAS GOING TO BE ROUGH BUT HE POINTED OUT, AS HE IS WONT TO DO, THAT THE UNITED STATES WILL GET BACK IN TRADE MOST OF WHAT IT PAYS IRAN FOR ITS OIL.

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